



We make home possible®



Freddie Mac's Home Possible Neighborhood Solution[®] 97 Mortgages

A responsible, low down payment mortgage option for those who work in your community

Would you like to offer additional flexibility for teachers, firefighters, law enforcement officers, health care workers, and military personnel in your community?

With Freddie Mac's Home Possible Neighborhood Solution 97 Mortgages, you can help more of these workers become homeowners in your community. Our flexible credit parameters include expanded debt-to-income ratios and extended temporary subsidy buydowns.

➤ Borrower Profile

- Individuals who work in your community in the fields of education, health care, fire prevention/protection, law enforcement, and the U.S. Armed Forces

➤ Key Features

- 15-, 20-, and 30-year fixed-rate mortgages for 1- to 2-unit primary residences
- 40-year fixed-rate mortgages for 1-unit primary residences
- 5/1 (2/2/5 caps), 7/1, and 10/1 CMT & LIBOR-indexed ARMs
- Manufactured homes eligible (with additional requirements)
- Extended and limited temporary subsidy buydowns allowed
- Maximum financing up to 105 percent total loan-to-value (TLTV) for qualified borrowers

➤ Borrower Benefits

- Stable monthly payments with fixed-rate mortgages
- Flexible closing cost funding options
- Reduced mortgage insurance coverage levels
- No cash-out refinancing

ORIGINATION & UNDERWRITING REQUIREMENTS

<p>Eligible Property Types</p>	<ul style="list-style-type: none"> • 1- to 2-unit primary residences • Condos • PUDs • Manufactured homes (with additional requirements) 												
<p>Eligible Mortgages</p>	<ul style="list-style-type: none"> • Conventional fixed-rate mortgages • Convertible and nonconvertible 7/1 and 10/1 ARMs • Convertible and nonconvertible 5/1 ARMs with an initial cap of 2%, a periodic cap of 2%, and a life cap of 5% if secured by a 1- or 2-unit primary residence other than a manufactured home. • Home Possible Mortgages may be the following provided the mortgage meets the applicable requirements for that offering and Guide Chapter A34: <ul style="list-style-type: none"> ▪ Home Possible Mortgages with Rural Housing Service (RHS) Leveraged Seconds originated in accordance with Section 35.3. • Home Possible Mortgages eligible for purchase must be first lien mortgages that are fully amortizing. • Home Possible Mortgages secured by a 1-unit primary residence, other than a manufactured home, must have an original maturity date not greater than 40 years for fixed-rate mortgages and not greater than 30 years for ARMs. • All other Home Possible Mortgages must have an original maturity date not greater than 30 years for fixed-rate mortgages and ARMs. • Home Possible Mortgages secured by a manufactured home and Home Possible Mortgages with a RHS Leveraged Second must have a maximum original maturity not greater than that specified in Sections H33.3 (d) and 35.3(b)(1st bullet), respectively. 												
<p>Temporary Subsidy Buydowns</p>	<ul style="list-style-type: none"> • Limited buydown allowed. • Extended buydown allowed: <ul style="list-style-type: none"> ▪ Initial interest rate reduced by no more than 1.5 percentage points below the note rate, and ▪ Increased no more than 0.5 percentage points annually for no more than 3 years. ▪ Must comply with requirements of Guide Section 25.4 and A34.5 (except the underwriting requirements of Section 25.4(c)). ▪ 1-unit primary residence. • Note: Temporary subsidy buydowns are not eligible for: <ul style="list-style-type: none"> ▪ Mortgages secured by manufactured homes (refer to Guide Chapter H33). ▪ Mortgages with variable rate secondary financing. ▪ Mortgages with Mortgage Credit Certificates. 												
<p>Maximum LTV/TLTV Ratios</p>	<table border="1" data-bbox="509 1045 1393 1398"> <thead> <tr> <th>Number of Units</th> <th>Maximum LTV Ratio</th> <th>Maximum TLTV Ratio</th> </tr> </thead> <tbody> <tr> <td>1-unit</td> <td> <ul style="list-style-type: none"> • 97% for mortgages assessed by Loan Prospector • 95% for manually underwritten mortgages </td> <td> <ul style="list-style-type: none"> • 105% for mortgages assessed by Loan Prospector • 105% for manually underwritten mortgages with an Indicator Score • 97% for manually underwritten mortgages without an Indicator Score </td> </tr> <tr> <td>2-units</td> <td>95%</td> <td>100%</td> </tr> <tr> <td>Manufactured home</td> <td>See Chapter H33.3 for more details</td> <td>See Chapter H33.3 for more details</td> </tr> </tbody> </table> <p>Note: All Home Possible Mortgages with TLTV greater than 97% must have an Indicator Score equal to or greater than 700.</p>	Number of Units	Maximum LTV Ratio	Maximum TLTV Ratio	1-unit	<ul style="list-style-type: none"> • 97% for mortgages assessed by Loan Prospector • 95% for manually underwritten mortgages 	<ul style="list-style-type: none"> • 105% for mortgages assessed by Loan Prospector • 105% for manually underwritten mortgages with an Indicator Score • 97% for manually underwritten mortgages without an Indicator Score 	2-units	95%	100%	Manufactured home	See Chapter H33.3 for more details	See Chapter H33.3 for more details
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2-units	95%	100%											
Manufactured home	See Chapter H33.3 for more details	See Chapter H33.3 for more details											
<p>Secondary Financing</p>	<ul style="list-style-type: none"> • All subordinate financing must be an Affordable Second, per Guide Section 25.1(g). • Affordable Seconds (Guide Section 25.1(g)) and RHS Leveraged Seconds meeting the requirements in Guide Section 35.3 are permitted as a source of funds for down payment, closing costs, financing costs, and prepaids/escrows for Home Possible Mortgages. Affordable Seconds with no payments before the 61st payment on the Home Possible Mortgage may be entered in the Total Gift Field of Loan Prospector. In all other respects, the Affordable Second must be considered as secondary financing. • For refinances, any secondary financing that is resubordinated to the lien of the new refinance mortgage must be an Affordable Second that meets the requirements of Section 25.1(g), or an RHS Leveraged Second that meets the requirements of Section 35.3. 												
<p>Credit Underwriting (Loan Prospector)</p>	<ul style="list-style-type: none"> • All Home Possible Mortgages, except Home Possible Mortgages with a RHS Leveraged Second, must be submitted to Loan Prospector. <ul style="list-style-type: none"> ▪ Use Loan Prospector Offering Identifier Code 243. ▪ Use Offering Identifier Code 244 for Home Possible 3% Cash. • Home Possible Mortgages with a RHS Leveraged Second may be submitted to Loan Prospector or may be manually underwritten mortgages. • A borrower's credit reputation is acceptable if the Home Possible Mortgage receives a risk class of Accept. 												
<p>Credit Underwriting</p>	<ul style="list-style-type: none"> • If the Home Possible Mortgage does not receive a risk class of Accept, the mortgage may be eligible as a manually 												

<p>(Manually Underwritten Mortgages)</p>	<p>underwritten mortgage if Loan Prospector returns:</p> <ul style="list-style-type: none"> ▪ A Caution risk class but the repository file used to create the selected borrower's credit report contains significant inaccurate credit information as specified in Guide Section 37.5{c}. ▪ An evaluation of Incomplete. <p>• The minimum Indicator Scores for manually underwritten mortgages are:</p> <table border="1" data-bbox="440 226 1107 831"> <thead> <tr> <th data-bbox="440 226 917 296">Property Type</th> <th data-bbox="917 226 1107 296">Minimum Indicator Score</th> </tr> </thead> <tbody> <tr> <td data-bbox="440 296 917 451"> <ul style="list-style-type: none"> • 1-unit primary residence (other than a fixed-rate term of 40 years, an ARM, or a no cash-out refinance): <ul style="list-style-type: none"> ▪ TLTV greater than 97% ▪ TLTV 97% or less </td> <td data-bbox="917 296 1107 451" style="text-align: center;"> 700 640 </td> </tr> <tr> <td data-bbox="440 451 917 661"> <ul style="list-style-type: none"> • 1-unit primary residence that is a fixed-rate term of 40 years, an ARM, or a "no cash-out" refinance mortgage: <ul style="list-style-type: none"> ▪ TLTV greater than 97% ▪ TLTV 97% or less </td> <td data-bbox="917 451 1107 661" style="text-align: center;"> 700 680 </td> </tr> <tr> <td data-bbox="440 661 917 703"> <ul style="list-style-type: none"> • 2-unit primary residences </td> <td data-bbox="917 661 1107 703" style="text-align: center;">700</td> </tr> <tr> <td data-bbox="440 703 917 831"> <ul style="list-style-type: none"> • Eligible manufactured homes (other than a mortgage secured by a manufactured home with a term greater than 20 years and LTV/TLTV ratios greater than 90% and less than or equal to 95%) </td> <td data-bbox="917 703 1107 831" style="text-align: center;">720</td> </tr> </tbody> </table> <p>• If none of the borrowers has a usable Indicator Score, this determination must be made without Indicator Scores as described in Guide Section A34.8 (d).</p>	Property Type	Minimum Indicator Score	<ul style="list-style-type: none"> • 1-unit primary residence (other than a fixed-rate term of 40 years, an ARM, or a no cash-out refinance): <ul style="list-style-type: none"> ▪ TLTV greater than 97% ▪ TLTV 97% or less 	700 640	<ul style="list-style-type: none"> • 1-unit primary residence that is a fixed-rate term of 40 years, an ARM, or a "no cash-out" refinance mortgage: <ul style="list-style-type: none"> ▪ TLTV greater than 97% ▪ TLTV 97% or less 	700 680	<ul style="list-style-type: none"> • 2-unit primary residences 	700	<ul style="list-style-type: none"> • Eligible manufactured homes (other than a mortgage secured by a manufactured home with a term greater than 20 years and LTV/TLTV ratios greater than 90% and less than or equal to 95%) 	720
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<p>Mortgage Credit Certificates</p>	<ul style="list-style-type: none"> • Mortgage Credit Certificates (MCCs) may be used with Home Possible Mortgages if: <ul style="list-style-type: none"> ▪ The Seller performs an analysis to determine the amount of the tax credit stated in the MCC that the occupying borrower is actually entitled to use in the current tax year calculated on a monthly basis. ▪ The Seller deducts the adjusted amount of the tax credit from the actual monthly housing expense payment and uses the adjusted monthly housing expense to compute the monthly debt payment-to-income ratio, and the monthly housing expense-to-income ratio. ▪ The Seller documents its calculations of the adjusted monthly housing expense, including the analysis of the amount of the mortgage tax credit to be used, using either the MCC Worksheet developed by Freddie Mac (see Exhibit 21, Mortgage Credit Certificate Worksheet) or a worksheet containing substantially similar information and calculations. • The mortgage file must contain a copy of the: <ul style="list-style-type: none"> ▪ MCC and MCC Worksheet. ▪ W4 and W4 Worksheet.
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<p>Eligible Borrowers</p>	<ul style="list-style-type: none"> • All borrowers must occupy the mortgaged premises as a primary residence. • Borrower may not, as of the note date, have any ownership interest in any other residential properties. • Borrower must meet income limits. Loan Prospector will indicate income eligibility. • Seller must attempt to verify all income reported on the Uniform Residential Loan Application and all reported income that has been verified and that is stable monthly income must be used to qualify the borrower and in determining whether the borrower meets the income limits. • Educators: An employee of an accredited or state-recognized private or public school; a certified teacher or administrator in an education agency; or an employee of a post-secondary level educational institution. • Law Enforcement Officers and Firefighters: An employee of a law enforcement agency or fire department administered by a state or local government; or a sworn law enforcement officer responsible for crime prevention and detection, or criminal incarceration; or a sworn member of a fire department involved in fire suppression or prevention, emergency medical response, hazardous materials incident response, or management/response to terrorism. • Health Care Workers: A certified, accredited, or licensed health care worker who is a medical resident or fellow; a nurse, nursing assistant, pharmacist, pharmacy technician, physician's assistant, or medical technician, technologist, or therapist. • Military Personnel: A member of the United States Armed Forces who is on full-time active duty; a member of a reserve component of the United States Armed Forces or a former member of the United States Armed Forces or a reserve component of the United States Armed Forces who has been separated or retired from either active duty or a reserve component for no more than two years at the time of the loan application.
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<p>Reserves</p>	<ul style="list-style-type: none"> • One-month reserve is required, which may be from gift funds.
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<p>Down Payment Requirements</p>	<ul style="list-style-type: none"> • Minimum down payment: <ul style="list-style-type: none"> ▪ 1-unit primary residences for mortgages that receive a risk class of Accept: 3% of value ▪ 1-unit primary residences for manually underwritten mortgages: 5% of value ▪ 2-unit primary residences: 5% of value ▪ Manufactured homes: 5% of value
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Sources of Funds/Borrower Contribution	<ul style="list-style-type: none"> • Minimum borrower contribution from borrower personal funds for purchase transactions: <ul style="list-style-type: none"> ▪ 1-unit primary residences: none required ▪ 2-units primary residences: 3% of value (3–4 units not permitted) ▪ Manufactured homes: 5% of value <table border="1" data-bbox="500 239 1146 630"> <thead> <tr> <th>Use</th> <th>Permitted Sources of Funds</th> </tr> </thead> <tbody> <tr> <td>Borrower contribution</td> <td>• Borrower personal funds</td> </tr> <tr> <td>Down payment for purchase transaction</td> <td>• Borrower personal funds • Other borrower funds</td> </tr> <tr> <td>Additional equity if needed for a no cash-out refinance transaction</td> <td>• Borrower personal funds • Other borrower funds</td> </tr> <tr> <td>Closing costs, financing costs, prepaid/escrows</td> <td>• Borrower personal funds • Other borrower funds • Flexible sources of funds</td> </tr> <tr> <td>Reserves for Home Possible Neighborhood Solution Mortgages</td> <td>• Borrower personal funds • Other borrower funds including gift funds • Borrower reserves (see Section 26.5)</td> </tr> </tbody> </table> <p>See Guide Section A34.2 (b) for complete sources of funds definitions.</p>	Use	Permitted Sources of Funds	Borrower contribution	• Borrower personal funds	Down payment for purchase transaction	• Borrower personal funds • Other borrower funds	Additional equity if needed for a no cash-out refinance transaction	• Borrower personal funds • Other borrower funds	Closing costs, financing costs, prepaid/escrows	• Borrower personal funds • Other borrower funds • Flexible sources of funds	Reserves for Home Possible Neighborhood Solution Mortgages	• Borrower personal funds • Other borrower funds including gift funds • Borrower reserves (see Section 26.5)
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Additional Special Underwriting Requirements	<ul style="list-style-type: none"> • Rental income from a 1-unit primary residence that meets the requirements of Guide Section A34.9 (a) may be considered as stable monthly income. • Rental income from a 2-unit primary residence that meets Guide Section 37.14(b) may be used as qualifying income; however, the reserve requirement is reduced to two months. 												
Special Requirements for Mortgages Secured by Manufactured Homes	<ul style="list-style-type: none"> • Must comply with all requirements in Guide Section H33 and A34, and where the Home Possible Mortgages and Mortgages Secured by Manufactured Homes Guide requirements conflict, see Guide Section A34.6(b). 												
Special Requirements for No Cash-Out Refinances	<p>No cash-out refinance mortgages must comply with the requirements of Guide Sections 24.2 and 24.5 with the following exceptions:</p> <ul style="list-style-type: none"> • 1-to 2-unit primary residences: <ul style="list-style-type: none"> ▪ Any secondary financing that is not satisfied and is resubordinated to the lien of the new refinance mortgage must be an Affordable Second (Section 25.1(g), or RHS Leveraged Second meeting the requirements of Section 35.3 of the Guide. ▪ All sources of funds must be documented in accordance with the requirements of Sections 37.21, 37.21.1, 37.22 and 37.23, as applicable. • 2-unit primary residences: <ul style="list-style-type: none"> ▪ The new loan amount is limited to the outstanding unpaid principal balance of the existing first mortgage (rounded up to the nearest \$100 increment). ▪ Any existing secondary financing must be paid off from verified borrower personal funds and other borrower funds or resubordinated to the new refinance mortgage and must meet the eligibility criteria for mortgages subject to secondary financing. 												
Mortgage Insurance Requirements	<table border="1" data-bbox="477 1318 1146 1476"> <thead> <tr> <th>LTV Ratio</th> <th>Mortgage Insurance Coverage</th> </tr> </thead> <tbody> <tr> <td>> 95% to 97%</td> <td>18%</td> </tr> <tr> <td>> 90% to 95%</td> <td>16%</td> </tr> <tr> <td>> 85% to 90%</td> <td>12%</td> </tr> <tr> <td>> 80% to 85%</td> <td>6%</td> </tr> <tr> <td>Manufactured homes</td> <td>As required by Section H33.3(f)</td> </tr> </tbody> </table> <p>Lender-paid and financed mortgage insurance premiums are permitted. Flexible mortgage insurance options described in Guide Section 27.1.1 are not permitted.</p>	LTV Ratio	Mortgage Insurance Coverage	> 95% to 97%	18%	> 90% to 95%	16%	> 85% to 90%	12%	> 80% to 85%	6%	Manufactured homes	As required by Section H33.3(f)
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Collateral Evaluation	<ul style="list-style-type: none"> • 1-unit primary residences: Use Form 70 Interior Inspection • Condominiums: Use Form 465 • 2-unit primary residences: Use Form 72 • Manufactured housing: Use Form 70 												
Homebuyer Education	<ul style="list-style-type: none"> • Homeownership education is required before the note date for at least one qualifying borrower if all borrower(s) are first-time homebuyers. • Homeownership education must be provided by a party not involved in the sale or financing of the property; if provided by the originating lender or by the Seller, the homeownership education must be conducted by someone not directly involved in the loan origination, processing, or approval process. • A copy of Exhibit 20, <i>Homeownership Education Certification</i>, or another document containing comparable information must be retained in the mortgage file. The following types of homeownership education are acceptable: <ul style="list-style-type: none"> ▪ Internet-based homeownership education programs that have been developed by mortgage insurance companies. ▪ Homeownership education programs that meet the standards of the National Industry for Homeownership Education 												

	<p>and Counseling (http://www.homeownershipstandards.com/).</p> <ul style="list-style-type: none"> ▪ Programs using the Freddie Mac CreditSmart® financial education curriculum, provided modules 1, 2, 7, 11 and 12 are included.
Borrower Disclosure	<ul style="list-style-type: none"> • Borrower disclosure and consent required at closing that permits disclosure of borrower information to third party in the event of delinquency. See Guide Section A34.12(b) for more details.
DELIVERY REQUIREMENTS	
Eligible Executions	<ul style="list-style-type: none"> • Sell through the following executions: <ul style="list-style-type: none"> ▪ Servicing-Released Cash ▪ Servicing-Retained Cash ▪ WAC ARM Cash ▪ Fixed-Rate Guarantor ▪ WAC ARM Guarantor ▪ MultiLender Swap
Delivery Requirements	<ul style="list-style-type: none"> • On Form 11 or 13SF, deliver: <ul style="list-style-type: none"> ▪ Special Characteristic Code (SCC) G01: Home Possible Neighborhood Solution 97 Mortgage. ▪ SCC 071: Affordable Housing Initiative. • Special Note: Home Possible Mortgages require the delivery of an alphanumeric SCC. Check with your loan origination software (LOS) vendor to find out if your system supports alphanumeric SCCs • You must deliver SCC 140 for all purchase transaction Home Possible Mortgages where the borrower's income is at or below 80% of AMI. • You may also need to deliver one or more of these SCCs based on the characteristics of the mortgage: <ul style="list-style-type: none"> ▪ 532: Noncredit Payment References ▪ 535: TLTV ratio greater than 100% ▪ 547: Cash on hand used as Borrower Personal Funds ▪ 583: Affordable Seconds used ▪ G18: Affordable Seconds entered in Loan Prospector in the "Total Gift Fund" field <p>See Guide Section 17.13.1 for complete delivery requirements.</p>
Pooling Requirements	<ul style="list-style-type: none"> • There are no special pooling requirements for Home Possible Mortgages. Refer to Chapter 13 for pooling requirements for fixed-rate mortgages and Chapter A13 for pooling requirements for ARMs.
Delivery Fees	<ul style="list-style-type: none"> • Special postsettlement delivery fees are applicable to Home Possible Neighborhood Solution 97 Mortgages. See Guide Exhibit 19 for more details. • There is a reduced delivery fee rate for purchase transactions with Home Possible Mortgages where the borrower's income is at or below 80% of AMI. • The following other delivery fees will not be assessed when the mortgage is delivered as a Home Possible Mortgage: <ul style="list-style-type: none"> ▪ Secondary financing if an Affordable Second. ▪ 7/1 and 10/1 Adjustable-rate Mortgages (ARMs). ▪ Indicator Score and LTV ratio-based delivery fee. <p>See Exhibit 19 of the Guide for complete delivery fee details.</p>
SERVICING REQUIREMENTS	
<ul style="list-style-type: none"> • Must be Tier I or Tier II Servicer. • Servicer must provide Early Delinquency Counseling to borrowers who become delinquent during the first year of the mortgage. • See Guide Section 64.4 for more details. 	

Learn more about Home Possible Neighborhood Solution 97 Mortgages:

- Review Chapter A34 of the *Single-Family Seller/Servicer Guide*
- Call (800) FREDDIE
- Visit www.FreddieMac.com